

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 1069
Appropriations

(Delegates Valentino-Smith and Hubbard)

Maryland Consolidated Capital Bond Loan of 2007 - Prince George's County -
Reid Community Business Development Center

This bill reduces the amount of matching funds from \$300,000 to \$150,000 that the Board of Directors of the Reid Community Development Corporation, as grantee, must provide for the acquisition, planning, construction, and capital equipping of the Reid Community Business Development Center as required by the Maryland Consolidated Capital Bond Loan of 2007, as amended by Chapter 219 of 2008. The bill also extends the deadline to June 1, 2014, for the grantee to present evidence that a matching fund will be provided.

The bill takes effect June 1, 2012.

Fiscal Summary

State Effect: The bill does not directly affect State operations or finances.

Local Effect: The bill does not directly affect the finances or operations of Prince George's County.

Small Business Effect: None.

Analysis

Current Law: Chapter 488 of 2007, as amended by Chapter 219 of 2008, authorized up to \$300,000 for the acquisition, planning, construction, and capital equipping of the Reid Community Business Development Center. The required matching funds, in an

equivalent amount, may not consist of real property, in-kind contributions, or funds expended prior to the June 1, 2007 effective date of Chapter 488. The grantee was required to provide evidence of matching funds by June 1, 2009.

Chapter 488 authorized two separate grants for this project, the bill's changes affect both grants. Chapter 219 allowed the development center to be located at any site in Prince George's County, rather than be limited to Bowie.

Chapter 153 of 2003 established a seven-year limitation on the authority to spend an appropriation for a capital expenditure and a seven-year limitation on the authorization for State debt. The Act applies to all debt authorized on or after June 1, 1997.

Under the Internal Revenue Code, an entity that sells tax-exempt bonds must spend down the proceeds within 18 to 24 months, depending on the project. The law prohibits entities that sell tax-exempt bonds from earning arbitrage, by which an entity earns a higher rate of interest from the investment of bond proceeds than the interest paid on the bonds. The accumulation of unexpended bond proceeds for projects over seven years old has resulted in the State earning arbitrage interest on the bond proceeds, creating a federal tax rebate liability.

Background: The Reid Community Business Development Corporation, an affiliate of the Reid Temple African Methodist Episcopal Church, is developing a business incubation center to assist low- to moderate-income residents of Prince George's County in job creation and business development. The grantee reports that it has constructed the shell of an office condo building in which the center will be located; however, the interior has yet to be completed, as the State matching funds are needed to complete the project. The grantee reports it has raised approximately \$250,000 of the required match, although some of the funds may be needed to administer the project. Architectural drawings for constructing the interior of the center have been developed, and the grantee intends to ask for bids for the interior construction as soon as possible. The grantee hopes to begin interior construction in March or April 2012.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of General Services, Prince George's County, Reid Community Business Development Corporation, Department of Legislative Services

Fiscal Note History: First Reader - March 2, 2012
mc/ljm

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